

## RISK MANAGEMENT TABLES

## ANNEXURE A

### RISK IS MEASURED ACCORDING TO IMPACT & LIKELIHOOD

The following is an example of a rating table that can be utilised to assess the potential impact of risks

### IMPACT

Score	Grading & Descriptions	<b>Financial</b> Impacts of a financial nature and directly affects the municipality's budget.	<b>Service Delivery</b> Impacts on the ability to provide maximum services to the stakeholders with existing resources.	<b>Reputation &amp; Image</b> Impact is of a reputational nature stemming from bad publicity of the municipality.	<b>Employee Wellness</b> Impact stems from employees not being in the best mental, emotional and physical state to perform duties.	<b>Legal/ Regularity/ Compliance</b> Impact is on the ability to comply with Acts, laws, regulations or contracts as well as with municipal policies and procedures.
5	<b>Critical</b>	Loss of assets, major adverse impact on annual revenues. Financial loss of 31 – 100% of budget.	Threatens ongoing existence of the component/sub directorate. Total disruption of service rendered by component/ sub directorate. 51-100% of KPA's not achieved.	Critical breakdown to total loss of confidence within stakeholders. Sustained negative publicity or damage to reputation from a national, perspective – long term.	Serious permanent injury or death of more than 20% unit capacity. Temporary to complete destruction of the municipality facility.	Total shut down of the component or external intervention required. Serious failure to comply with legal requirements that results in legal action against municipality.
4	<b>Major</b>	Loss of assets with some adverse impact on annual revenues. Financial loss of 16 – 30% of budget.	Permanent loss of critical information, substantial disruption to component extending over 3 months. 16- 50% of KPA's not achieved.	Limited breakdown in key relationship with stakeholders. Media coverage at city/ provincial level.	Serious permanent injury or death of one or two employees. Entrenched morale problems. Inability to recruit employees with necessary skills.	Failure to comply with laws or contracts conditions that may result in legal action against municipality.
3	<b>Moderate</b>	Loss of assets with minor adverse impact on annual revenues. Financial loss of 8 – 15 % of budget.	Considerable remedial effort required with limited disruption to the component for period of 1 week or less. Less than 15% of KPA's will not be achieved	Temporary negative impact on reputation. Once off media coverage in community circulation only.	Injury but able to return to work within 5 days. Some morale issues. Medium employee turnover. Minor skill mix issues	Non-compliance with policy and procedures results in ineffective procedures that impact on the KPA's.
2	<b>Minor</b>	Loss of low value assets, little to no adverse impact on annual revenues. Financial loss of 3 – 7% of budget.	No impact on service delivery. Easily remedied, some impact on external stakeholders and minor KPA's delayed.	Customer complaint received.	Lost time iro temporary injury (normal sick leave) Temporary poor morale within the component.	Some deviations from prescripts. Can be remedied internally.
1	<b>Insignificant</b>	Insignificant loss of assets or insignificant adverse impact on budget. Financial loss of 0 – 2% of budget.	Small delay, internal inconvenience only. Can be remedied internally immediately.	Unlikely to cause complaint or warrant coverage in media. Little effect on public confidence.	Minor injury. Individual poor morale within the component. No effect on staff moral.	Slight deviation from prescripts. Can be remedied internally immediately.

LIKELIHOOD

The following is an example of a rating table that can be utilised to assess the likelihood of risks.

Rating	Assessment	Definition
1	Rare	The risk is conceivable but is only likely to occur in extreme circumstances
2	Unlikely	The risk occurs infrequently and is unlikely to occur within the next 5 years
3	Moderate	There is an above average chance that the risk will occur at least once in the next 3 years
4	Likely	The risk could easily occur, and is likely to occur at least once within the next 12 months
5	Common	The risk is already occurring, or is likely to occur more than once within the next 12 months

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### INHERENT RISK EXPOSURE (IMPACT X LIKELIHOOD)

The following is an example of a rating table that can be utilised to categorise the various levels of inherent risk.

Risk rating	Inherent risk magnitude	Response
15 - 25	High	Unacceptable level of inherent risk – High level of control intervention required to achieve an acceptable level of residual risk
8 - 12	Medium	Acceptable level of inherent risk, except under unique circumstances or conditions – Moderate level of control intervention required to achieve a more acceptable level of residual risk
4 – 6	Low	Mostly acceptable level of inherent risk – Medium level of control intervention required
1 - 3	Minimum	Acceptable level of inherent risk – Low level of control intervention required, if any

### RESIDUAL RISK EXPOSURE (INHERENT RISK X CONTROL EFFECTIVENESS)

Risk rating	Residual risk magnitude	Response
15 - 25	High	Unacceptable level of residual risk – Implies that the controls are either fundamentally inadequate (poor design) or ineffective (poor implementation). Controls require substantial redesign, or a greater emphasis on proper implementation. Acceptable when sufficient controls (cost effective) have been implemented which are regularly monitored (5x3=15)
8 - 12	Medium	Acceptable level of residual risk, within risk appetite – However, can imply that the controls can improve (poor design) or ineffective (poor implementation or non-adherence). Controls require some redesign, or a more emphasis on proper implementation and adherence.
4 – 6	Low	Mostly acceptable level of residual risk – Requires minimal control improvements.
1 - 3	Minimum	Acceptable level of residual risk – Adequate controls implemented and adhered to.

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Risks manifest as negative impacts on goals and objectives or as missed opportunities to enhance institutional performance.

Stakeholders expect the Municipality to anticipate and manage risks in order to eliminate waste and inefficiency, reduce shocks and crises and to continuously improve capacity for delivering on their institutionalised mandates. A risk is therefore an event, potential or real, that could have an impact on the institution achieving its objectives. It is also apparent that risk is measured in terms of the impact that it would have on the achievement of objectives and the likelihood of the risk materialising. The risk rating = impact score X likelihood score. Inherent risks are those risks that exists prior to any controls being implemented and residual risks are those risks that still exist after controls have been implemented.

<b>IMPACT</b>	5 Critical	5	10	15	20	25
	4 Major	4	8	12	16	20
	3 Moderate	3	6	9	12	15
	2 Minor	2	4	6	8	10
	1 Insignificant	1	2	3	4	5
		Rare	Unlikely	Moderate	Likely	Common
		1	2	3	4	5
		<b>LIKELIHOOD</b>				

<b>Inherent</b>		
<b>Risk rating</b>	<b>Risk magnitude</b>	<b>Response</b>
15 - 25	High	Unacceptable level of inherent risk – High level of control intervention required to achieve an acceptable level of residual risk
8 - 12	Medium	Acceptable level of inherent risk, except under unique circumstances or conditions – Moderate level of control intervention required to achieve an acceptable level of residual risk
4 – 6	Low	Mostly acceptable level of inherent risk – Medium level of control intervention required
1 - 3	Minimum	Acceptable level of inherent risk – Low level of control intervention required, if any
<b>Residual</b>		
<b>Risk rating</b>	<b>Risk magnitude</b>	<b>Response</b>
15 - 25	High	Unacceptable level of residual risk – Implies that the controls are either fundamentally inadequate (poor design) or ineffective (poor implementation). Controls require substantial redesign, or a greater emphasis on proper implementation. Acceptable if sufficient controls are implemented which are regularly monitored. (5x3=15)
8 - 12	Medium	Acceptable level of residual risk, within risk appetite – However can imply that the controls can be improved (poor design) or ineffective (poor implementation or non-adherence). Controls require some redesign, or a more emphasis on proper implementation and adherence.
4 – 6	Low	Mostly acceptable level of residual risk – Requires minimal control improvements.
1 - 3	Minimum	Acceptable level of residual risk – Adequate controls implemented and adhered to.